



Issue 14

Feb. 6, 2001

Oversight hearings start Wednesday at 1 p.m.

Federal order ends tonight, but Davis announces long-term contracts

An emergency federal order that has saved California from additional blackouts during the past two months will run out tonight, the Bush administration confirmed. The expiration of the order, which has been in effect most of the time since it was first issued in mid-December, sets off renewed concerns about the reliability of the state's power system and increases pressure on state officials trying to wrap up long-term contracts for relatively low-cost, reliable electricity.

However, Governor Gray Davis today announced that the Department of Water Resources has reached agreements on the commercial terms for its first long term supplies for electricity.

"I am very satisfied that this first round of proposals has met our expectations," said David Freeman, tapped by the Governor to be special advisor to the Department of Water Resources last week to negotiate the contracts. "These power purchases are a critical first step as we begin to build a balanced portfolio of contracts."

"Our negotiating team has reached agreement with generators on the basic commercial terms of price, quantity, and term for power contracts totaling about 5,000 megawatts terms ranging from three to 10 years," Freeman said. "We are unable to discuss specifics because we are still in the negotiating process and it is not in the interest of the people of California to discuss prices or terms."

Freeman announced that another Request for Proposals for additional contracts will close at 5 p.m. today.

Coupled with today's announced contracts and RFP's due later today, the actions by Governor Davis on Friday and Monday seizing long term contracts from the Power Exchange puts the state on the path to meeting its electricity needs, the administration said. Those contracts included up to 500 megawatts from PG&E and 925 megawatts from Southern California Edison.

Legislator calls for investment into renewables

Hannah-Beth Jackson said she is considering introducing legislation that would promote the use of renewable power such as solar or wind energy through tax credits, loans or other financial incentives. "I don't think we need to take the panicked reaction that we just need to build, build, build," she said.

Burton Introduces Bill to Have State Buy Power Transmission Lines

Senate President pro Tem John Burton today introduced SB 33X, which would create a public authority in California to purchase and operate the transmission grid, the 26,000-mile powerline highway that carries electricity throughout the state.

"California owning the transmission lines makes sense because it gives us some control over our electrical destiny, it allows us to make badly needed upgrades in the system and it gives cash to utilities in exchange for assets that are of real value," Burton said. "There's also a steady revenue stream that comes from owning the lines, enough that we will be able to buy the system and finance upgrades without dipping into the state's general fund."

Burton said SB 33X will

- Improve reliability
- Allows for quicker transmission upgrades
- Gain control over costs
- provide utilities with a considerable cash infusion
- Give the state more energy independence

"Public power has been a proven success in the Tennessee Valley, in New York, in Nebraska, in Washington State and in municipal districts here in California," Burton said. "By having the state owning the transmission lines, we can avoid the looming situation where we generate more power and reduce demand, but still face blackouts because the power can't get where it's needed."

Utilities' right to undercollections could be determined by court Monday

A federal hearing is scheduled Monday in Los Angeles to consider SoCal Edison's request to pass on its costs to its customers. PG&E has a similar, separate suit in the same court.

Governor Gray Davis, concerned that the utility may prevail in the case, hopes to devise a rescue plan prior to the hearing.

"We hope by the end of this week to have an agreement with all of the five participants of these discussions, the four legislative leaders and myself - to provide a cash infusion to utilities so they can be viable," Davis said.

"I've expressed my preference before that it be in the form of stock options or warrants. It could come in the

form of tangible assets. It could be some combination of both... What we're doing now is negotiating out exactly what concessions utilities will make, and in what form they will come," the Governor stated.

"The governor can't settle for anything," Senate President John Burton said when reminded of Davis' preference. "The Legislature will determine what it is."

California regulators seek court order to keep power flowing

California power regulators went to court Tuesday to force electricity suppliers to keep selling to the state despite the expiration of federal orders requiring them to do so.

The state's power grid is seeking a restraining order in federal court in Sacramento to force three major electricity suppliers to continue selling to California.

At issue was enough electricity for 4 million homes.

"There are about 4,000 megawatts at stake here," said Stephanie McCorkle, spokeswoman for the Independent System Operator.

The U.S. Department of Energy's orders requiring power generators and natural gas producers to sell surplus supplies to California are due to expire at midnight Tuesday. The orders, first issued in mid-December by the Clinton administration and extended by new Energy Secretary Spencer Abraham, will not be renewed, the Bush administration said.

That left the managers of California's stressed grid in the fourth straight week under a Stage 3 power alert -- wondering whether enough electricity would be available to avoid rolling blackouts. The ISO ordered scattered outages twice last month.

A spokesman for Gov. Gray Davis said earlier that the state's power-buying resolved the issues that prompted the federal electricity order in the first place.

"Mainly, it was required because of credit issues, not necessarily supply issues, and those have largely been resolved with long-term contracts and the state getting into the power-buying business," said spokesman Steve Maviglio.

Feinstein calls for full deregulation *Says higher rates will aid in conservation efforts*

Sen. Dianne Feinstein said that the state should consider full deregulation—including lifting the current rate cap on consumers. Rate increases on use above basic levels, she said, is one way to force conservation.

"The danger is that the state spends all this money and ends up just where it is today. We've still got to get through the summer. In a strict deregulated system, the rates would cause people to conserve.

"Absent that, there is no incentive to conserve," Feinstein continued. "If you move about the city on a weekend, there is no difference. There is no evidence of conservation. The lights are on all over—outdoor lighting, everything."

Feinstein has thrown herself nearly full time into the energy crisis, suggesting that some of the state's closed military bases might also be considered as locations for new power plants. "It is important that the state truncate the permit process."

What opinion makers are writing:

Davis in the dark on energy

Prepare for the energy police. In his bizarre energy-conservation plan, Gov. Gray Davis could have created a system of rewards and incentives -- a call on Californians to come together and save power for the public and the private good. But that's not the route Davis chose.

Instead, he opted for strong-arm government -- unleashing the California Highway Patrol and local sheriff's departments to play the role of power cops, dishing out warnings and \$1,000 fines to businesses that are deemed to be using excessive power. **-LA Daily News**

Flip the Switch Off

As California consumers tear open their utility bills, the message may begin sinking in: Conservation counts. While the Legislature scurries to find an answer to the energy crisis, homeowners can fashion their own response by using less juice. Hardware stores are experiencing a mad scramble for electricity-saving light bulbs, lamp timers and even shoebox-size space heaters to huddle beside on chilly nights.

One of the resources in the power crisis ought to be the public's thrifty nature. When a home is slapped with an electric bill approaching the monthly grocery budget, conservation makes immediate sense. **-SF Chronicle**

Temporary price cap could help

If only setting the electrical system aright were as simple as clapping a cap on the price that generators can charge. Price caps cannot produce abundant, affordable electricity...

But they deserve more consideration than the outright rejection they got Monday from President Bush.

Eight governors of Western states had pleaded with the federal government to impose a regionwide cap on the wholesale price of electricity. Last week, Energy Secretary Spencer Abraham...shot them down. Now Bush has made it final.

Price caps discourage investment and production, they said. Yes, as a general rule they do. But price caps imposed temporarily could provide stability in a market in which prices have frequently soared far beyond the level needed to entice an energy company to build a power plant. **-SJ Mercury News**

Time to resurrect offshore monster?

Oil drilling: shouldn't surrender to energy bugaboo.

Among the prime perils of California's current energy crisis -- even more daunting than an occasional power outage -- is a "solution" that permanently damages our natural environment. The prospect of rolling blackouts or soaring utility bills -- or even both -- has become a kind of bogeyman, being cited to justify any number of official actions that otherwise would have been routinely rejected.

-Ventura Times